

# Price Committee

## StoreKit External Purchase Link Entitlement (US)

1/16/24

**CX - 0009-A**

**CX-0009.2-A**

# Recommendation

**Commission:** 27% standard | 12% program

**Time Window:** 7 days

Includes auto-renewals for subscriptions initiated during time window

**Program Eligibility:**

Small Business Program and Tenured Subscriptions are eligible

Video Partner Program and News Partner Program not eligible

# Summary

## Resulting from the Epic injunction, Apple is

*“permanently restrained and enjoined from prohibiting developers from (i) including in their apps and their metadata buttons, external links, or other calls to action that direct customers to purchasing mechanisms, in addition to In-App Purchasing and (ii) communicating with customers through points of contact obtained voluntarily from customers through account registration within the app.”*

*Permanent Injunction Order*

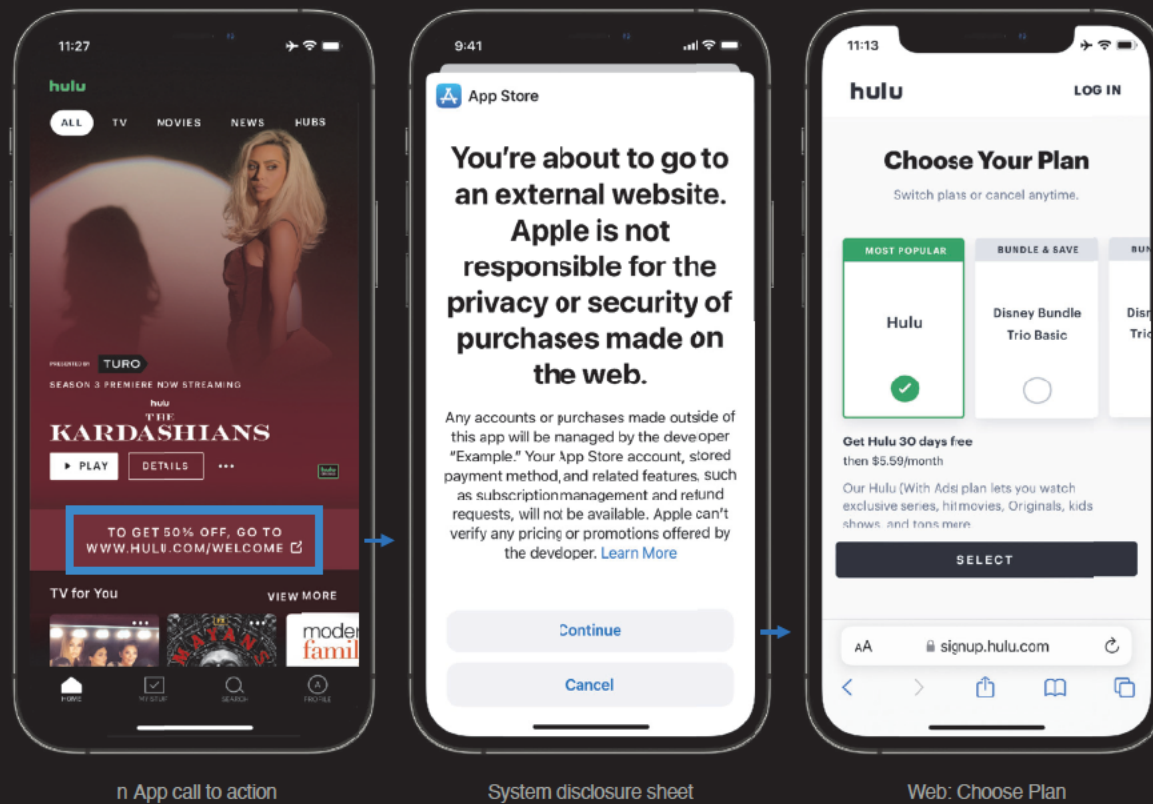
### Compliance Requirement

Item	StoreKit External Purchase Link Entitlement
Geo	US
Eligibility	iOS or iPadOS App Store, US storefront
Compliance Date	As soon as January 16

### Key Pricing Considerations

Commission Rate
Commission Time Window
Program Eligibility

# Entitlement Policies & User Experience



- Language and design must follow templates
- One URL per app
- Displayed once in an app, on an app page user navigates to (not an interstitial, modal, or pop-up), and can't persist when user leaves page
- Cannot be displayed on any page that is part of flow to merchandise/initiate an IAP

# Analysis Group Valuation of Developer Offering Components

All percentages are expressed relative to customer spend

Apple Framework	Analysis Group Framework	Estimated Costs for Developers	Notes
Platform Integrity	Platform Technology	30% for integrated game platforms (inclusive of other items)	Provides a lower bound on the value because substitutes do not replicate all capabilities of the Apple platform
Curation for Safety, Privacy, and Trust		5% 20% for platform technology with demand generation	
Proprietary Tools and Technology		0.3% 6% for platform technology with no demand generation	
Marketplace Tools and Services	Developer Tools and Services	3% 16%	A key benefit of current Apple model is that it lowers startup costs and risks
Distribution at Scale	Distribution	4% 25%	Provides a lower bound that does not include the significant value of users' trust in the App Store's privacy and piracy protection measures
Discovery	Discovery	5% 21%	Assembling a package of third party discovery tools involves substantial effort and may require paying for services without realizing revenue
IAP Payments and Commerce	No valuation exercise undertaken	Not estimated	

Apple's offering is unique and these values are approximations of the lower bound value of these services  
Possible overlap in Analysis Group framework, so separate line items are not necessarily additive  
Source: App Store Commission Rates and the Value of Apple and the App Store to Developers - January 2024

# Integrated Platform Marketplace Competitors

	<div> <div></div> Full-featured           <div></div> Basic           <div></div> Limited/None         </div>	StoreKit External Purchase Link Entitlement (US)	App Store	Google Play	Microsoft Store (Xbox)	Playstation Store	Nintendo eShop	Microsoft Store (PC)
Pricing		27% standard with 7 day window 12% for SBP and tenured subs with 7 day window	30% standard 15% tenured subs 15% VPP / NPP 15% SBP	30% standard 15% subscriptions 10-15% Play Media Experience 15% under \$1M	30% standard	30% standard	30% standard	15% for apps 12% for games 0% for non gaming apps with 3P billing
Negotiated Deals		No	No	Yes	Yes	Yes	Yes	Yes
Platform Integrity		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Proprietary Tools & Technologies		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Curation for Safety, Privacy, and Trust		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Distribution at Scale		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Discovery		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Marketplace Tools and Services		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
IAP Payments & Commerce		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>

# Standalone Marketplaces Competitors

	StoreKit External Purchase Link Entitlement (US)	Steam	Amazon Appstore	Samsung Galaxy Store	Epic Games Store	ONE store	Codashop
	<p>● Full-featured</p> <p>● Basic</p> <p>○ Limited/None</p>						
Pricing	<p>27% standard with 7 day window</p> <p>12% for SBP and tenured subs with 7 day window</p>	<p>30% under \$10M</p> <p>25% \$10M - \$50M</p> <p>20% above \$50M</p>	<p>30% standard</p> <p>20% SBP equivalent (additional 10% in free AWS credits)</p>	30% standard	<p>12% standard</p> <p>0% with 3P billing</p>	<p>20% standard</p> <p>5% with 3P billing</p>	15%
Negotiated Deals	No	No	Yes	Yes	Yes	Yes	Yes
Platform Integrity	●	●	●	●	○	○	○
Proprietary Tools & Technologies	●	●	●	●	●	○	○
Curation for Safety, Privacy, and Trust	●	●	●	○	○	○	○
Distribution at Scale	●	●	●	●	●	○	○
Discovery	●	●	●	●	●	●	●
Marketplace Tools and Services	●	●	●	●	●	●	○
IAP Payments & Commerce	○	●	●	●	●	●	●

# Time Window Benchmarks

## Affiliate Benchmarks

	Company	Time Window
<b>First Party Affiliate Programs</b>	Microsoft	14 days
	Norton Lifelock	30 days
	Wall Street Journal	30 days
	McGraw Hill	30 days
	Bluehost	90 days
<b>Platform Affiliate Programs</b>	eBay	24 hours
	Amazon	24 hours
	Walmart	3 days
	Etsy	30 days

## Advertising Benchmarks

	Company	Time Window
<b>Mobile Measurement Partners</b>	Adjust	7 days
	AppsFlyer	7 days
	Branch	7 days
	Singular	7 days
	Kochava	30 days
<b>Self- Attributing Networks</b>	Meta	7 days
	Snapchat	28 days
	Twitter	30 days
	Google	30 days

First Party Affiliate Programs are those where firms use affiliate programs to sell their own products  
Platform Affiliate Programs are those where platforms use affiliate programs to boost the sales of third-party merchants on their platform  
Source: App Store Commission Rates and the Value of Apple and the App Store to Developers - January 2024



# App Store Ecosystem Indicative P&L

	WW		US	
	Method 1 Simplified	Method 2 Custom R&D Spend Allocation Methodology	Method 1 Simplified	Method 2 Custom R&D Spend Allocation Methodology
<b>App Store Billings</b>				
Developer Payouts				
Contra Revenue				
<b>Revenue</b>				
OCOGS				
Credit Card Fee				
<b>Adj Gross Margin \$</b>				
<i>Adj Gross Margin %</i>				
Direct OPEX				
R&D (Allocated)				
G&A (Allocated)				
<b>Operating Margin \$</b>				
<i>Opex % of Total Apple</i>				
<i>Operating Margin %</i>				

# App Store Ecosystem Indicative P&L

## Allocation , .ssumption.s

		<i>R&amp;D and G&amp;A Simplified</i>	<i>R&amp;D Custom Spend Allocation Methodology G&amp;A Simplified</i>
Cost Attribution	Group	Method 1	Method 2
Direct		<i>Direct</i>	
R&D			
G&A			
Excluded			

# Projected Effective Commission on Entitlement Transactions

## Commission Rate

Time Duration	20%	23%	25%	27%	30%
Current Session	12%	14%	16%	17%	20%
24 hrs	12%	15%	16%	18%	20%
72 hrs	12%	15%	16%	18%	21%
7 Days	12%	15%	17%	18%	21%
30 Days	13%	16%	18%	20%	22%

**Financial Assumptions : 50%** returning customers | *effective commission does not account for collection/measurement risk*

# Projected Effective Commission on Entitlement Transactions

	\$ Projections	Projected Effective Commission %
<b>Entitlement Billings</b>  <i>Commission on 100% of Entitlement Billings</i>  <i>Loss due to lower billings in 7 Day Attribution Window</i>		
<b>Projected Revenue</b> <i>Assuming all future sales via direct web</i>  <i>Assumes 50% customers return to use entitlement for subsequent purchases</i>		
<b>Projected Revenue</b> <i>with 50% assumption</i>		
<b>Financial Assumptions :</b> <b>7 Days</b> Attribution window   <b>50%</b> returning customers   <b>30%</b> entitlement share   <b>~75%</b> billings entitlement implementation <i>Effective commission does not account for measurement risk</i>		

# Steady State Net Impacts on App Store Financials

Operating margin impacts are net of both entitlement and standard Apple IAP business

\$ Impact vs baseline  
% Change vs baseline

## Revenue Impact Commission Rate

Duration	20%	23%	25%	27%	30%
Current Session					
24 hrs					
72 hrs					
7 Days					
30 Days					

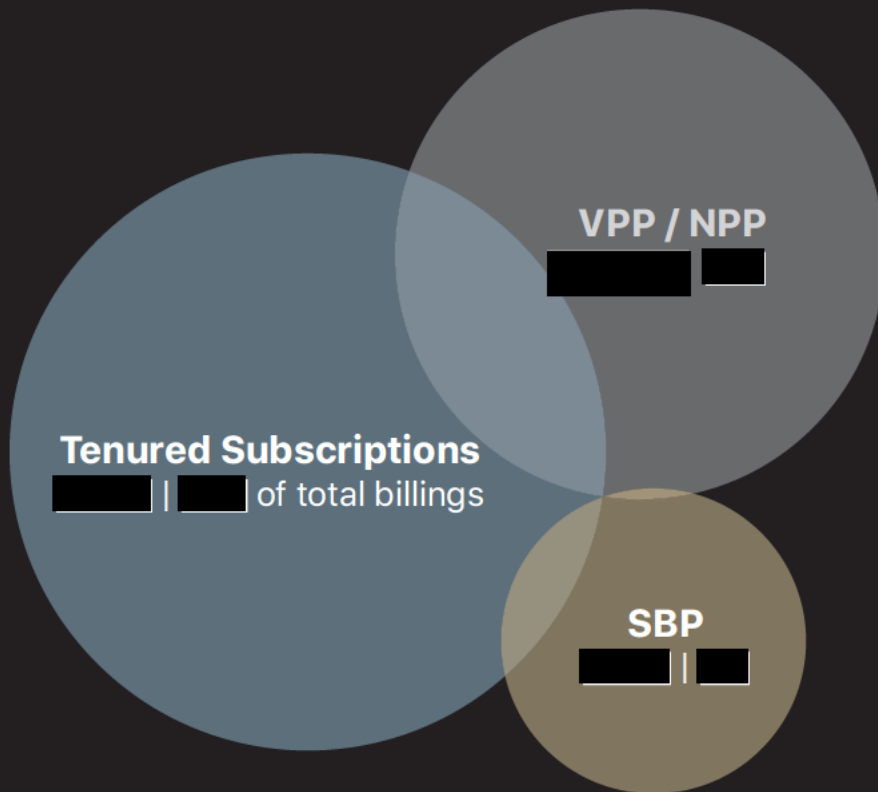
## Gross Margin Impact Commission Rate

20%	23%	25%	27%	30%

### Financial Assumptions :

50% returning customers | 30% entitlement share | 10% measurement impact | ~75% billings entitlement implementation

# Program Eligibility Recommendation



## Small Business Program

Standard: 15%

Entitlement: 12%

## Tenured Subscriptions

Standard: Year One 30% | Year Two+ 15%

Entitlement: Year One 27% | Year Two+ 12%

## Video Partner Program / News Partner Program

Standard: 15%

Entitlement: Not Eligible

FY23 Annual Program Billings | % of US Total Billings



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